

City of Northampton

COVID-19 Financial Update

Mayor David J. Narkewicz
April 16, 2020

Agenda

- Impact of COVID-19 on the Fiscal Year 2020 Budget
 - Third Quarter Revenue and Expenditure Reports for General and Enterprise Funds
 - Estimated impact on Third and Fourth Quarter Revenues and Expenditures for General Fund
 - Impacts of COVID-19 on State Aid in FY2020 and FY2021
 - Status of the Five Year FY2021-FY2025 Capital Improvement Program
 - Fiscal Year 2021 Budget
 - Revenue Impact of COVID-19
 - Expenditure Impact of COVID-19
 - Delayed Implementation of \$2.5 million override to FY2022
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Impact of COVID-19 on the Fiscal Year 2020 Budget

Third and Fourth Quarter Revenues and Expenditures

FY2020 Third Quarter Revenues – General Fund

(\$365,000)

- **For the third quarter, 71.9% of budgeted revenues have been received compared with the third quarter of FY2019 where 73.7% of budgeted revenues had been received. Revenue reductions are the result of:**
 - Timing relative to recording revenues due to city office closures which began March 17, 2020
 - Extension of due dates for city bills such as Real Estate, Personal Property, Excise and Utilities until June 30, 2020 resulting in decreased 3rd Quarter revenue in interest on taxes and collector demand fees - estimated lost revenue **(\$25,000)**
 - Approximately two weeks of parking and ticket revenue lost due to the suspension of parking fees and enforcement concurrent with city office closures which began March 17, 2020 - estimated lost revenue **(\$240,000)**
 - Estimated Ambulance Revenue lost in this quarter - estimated lost revenue approximately **(\$100,000)**
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FY2020 Fourth Quarter Revenues – General Fund (\$1,493,000)

- **For the fourth quarter revenues, COVID-19 will have a serious impact on our revenues:**
 - Extension of due dates for city bills such as Real Estate, Personal Property, Excise and Utilities until June 30, 2020 will result in decreased 4th Quarter revenue in interest on taxes and collector demand fees - estimated lost revenue (\$90,000)
 - Parking and ticket revenue losses reflecting April, May, June 2020 revenues due to suspension of parking fees and enforcement - estimated lost revenue (\$731,000)
 - Hotel/Motel Excise Tax 4th Quarter reflects lost revenue in February, March, April 2020 - estimated lost revenue 50% - (\$70,000)
 - Meals Excise Tax 4th Quarter reflects lost revenue in February, March, April 2020 - estimated lost revenue 50% - (\$80,000)
 - Adult Use Marijuana Excise Tax 4th Quarter lost revenue in February, March, April 2020 - estimated lost revenue 33% - (\$136,000)
 - Ambulance Revenues – 4th Quarter reflects April, May, June 2020 - estimated lost revenue approximately \$100,000/month or (\$300,000)
 - Building, Wiring and Plumbing Permit Revenue – 4th Quarter reflects April, May, June 2020 – estimated lost revenue approximately (\$86,000)
 - **IMPORTANT NOTE:** Impact on state aid in current fiscal year unknown
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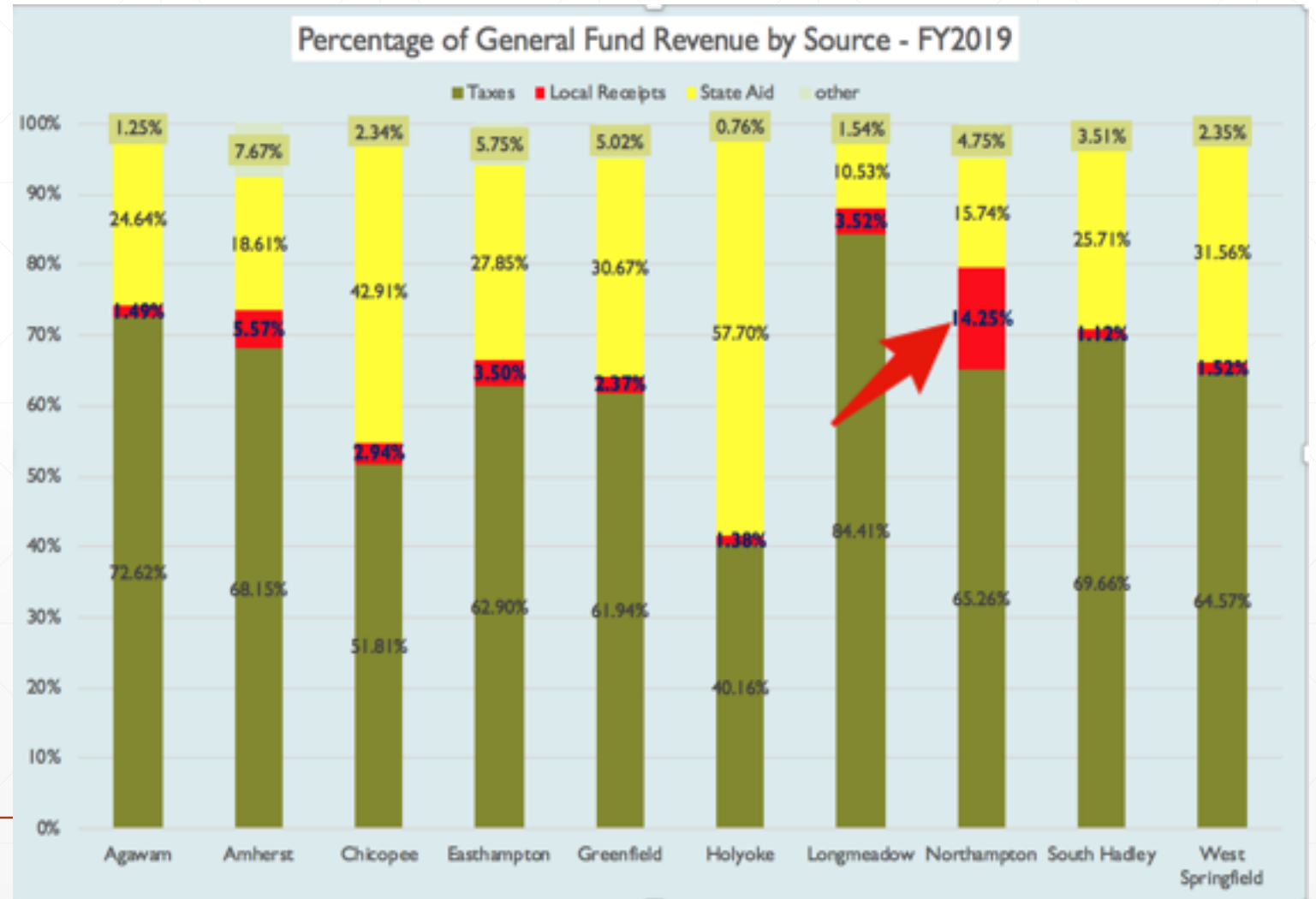
Local General Fund Revenues most affected by COVID-19 and why Northampton will be disproportionately impacted:

Total estimated revenue loss for FY2020: (\$1,858,000)

Types of Revenue Supporting the General Fund Budget

Known revenues affected by COVID-19 Emergency Show in Red

Taxes	Local Receipts	State Aid	Other
Real Estate	Parking Fees	C.70	Interest on Investments
Personal Property	Parking Tickets	UGGA	PVTA
	Ambulance Fees	Charter School Aid	Reimbursement
	Recreation Revenue	Veterans Benefits	Veterans District
	Collector Fees	Ambulance CPE	
	Motor Vehicle Excise	PILOT for State Land	
	Hotel/Motel Excise	Abatements	
	Meals Excise		
	Marijuana Excise		
	Interest on Tax Titles		
	PILOTS		
	License Fees		
	Building Permit Fees		
	Motor Vehicle Fines		
	Medicaid Reimbursements		



FY2020 General Fund Unbudgeted Expenses for COVID-19

NOTE: FEMA reimbursement for eligible expenses expected at 75%

- Overtime to cover shifts for sick and/or quarantined staff providing essential services
 - Overtime for Health, Fire Rescue, Police and other departmental staff involved in the city's response to pandemic oversight, regulatory and administrative responsibilities, and relief and recovery activities such as federal emergency funding opportunities such as FEMA reimbursement and CDBG funding
 - Additional personnel costs related to working under emergency orders currently in place
 - Additional costs for PPE (Personal Protective Equipment) and disinfectant and cleaning supplies
 - Additional costs for technology solutions to facilitate staff working remotely from home – software and hardware solutions necessary to provide continuity of operations
 - Costs relative to necessary public health protective measures such as sheltering the city's vulnerable homeless residents
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Impacts of COVID-19 on State Aid

FY2020 and FY2021



Massachusetts
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State Revenue and Budget Outlook

- No Clear Answers Yet for FY '20 or FY '21
- Serious Recession is Hitting Massachusetts, Nation and World
- Depth and Length will Depend on How Long the COVID-19 Crisis Lasts
- State & Local Revenues will Fall Due to Economic Standstill
 - Capital Gains will Fall Due to Near-Collapse of the Financial Markets
 - Income Tax will Fall Due to Widespread Unemployment
 - Sales Taxes will Fall Due to Depressed Economic Activity
 - Gaming and Lottery Revenues Falling Steeply
 - State's Delay of 2019 Income Tax Due Date will Create Cashflow Problems
 - Local Option Lodging and Meals Tax Revenues will Fall (hotel & dining standstill from March through June, and suppressed commerce beyond (20% loss in FY '20 would be \$80M and 50% loss in FY '21 would be another \$200M, with uneven impacts)
 - Federal Policy Preventing the Use of Aid to Fill Revenue Losses Must Be Reversed



State Revenue and Budget Outlook

- Legislature has Announced that the Fiscal 2021 Budget Process is Delayed
- Administration & Legislative Budget Writers Held April 15 Revenue Hearing to Agree on a Revised Revenue Forecast – Grim Outlook (MTF forecasts 14.1% decline, or \$4.4 billion, which would force massive cuts, others say \$5B)
- Legislature Unable to Meet in Full Session – Budget Process Unclear (perhaps it will be passed “in parts”)
- GOOD NEWS ... \$3.5 Billion in the State Rainy Day Fund should Help to Mitigate Fiscal 2020 Revenue Shortfalls (and Increased Expenditures)
- GOOD NEWS ... Massachusetts Received \$2.67 Billion from the Federal CARES Act to Pay for Unexpected/Unbudgeted COVID-19 Expenses; \$215M for K-12 Education; FEMA 75% Reimb.; \$40M CDBG for SOME (omits 35% of cities)

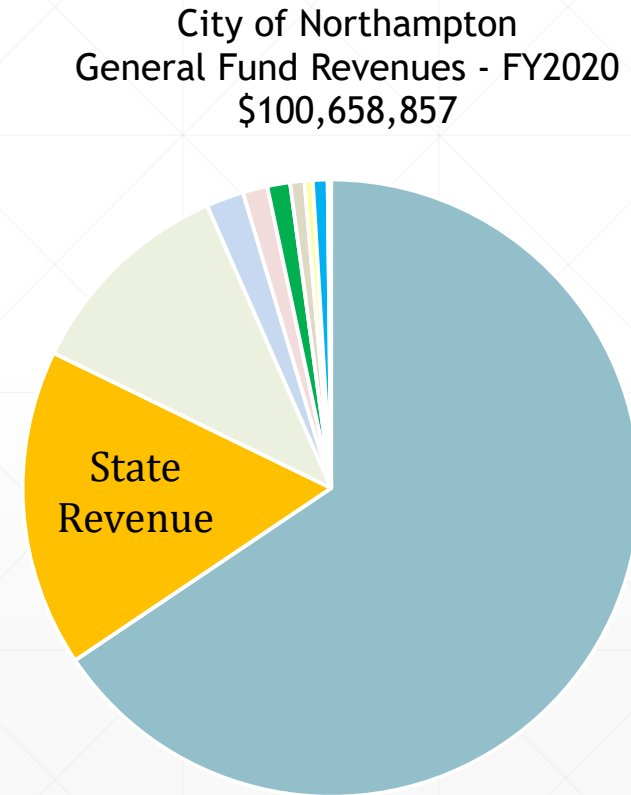
State Revenue and Budget Outlook

- Some History May Provide Some Guidance:
 - In the Great Recession, State Tax Revenues Dropped by 10+%, and Unrestricted Aid was Cut by More than 20% (when Lottery & Additional Assistance were combined and cut)
 - But Education Aid (Chapter 70) was Not Cut as Deeply Due to Federal Stimulus Aid (ARRA)
 - New Local Option Meals & Higher Lodging Excise Helped, but those Revenues Threatened
- The Key Question is Whether the Federal Government will Provide New Stabilization Aid to Support State and Local Government
 - The MMA is Working with the National League of Cities to Call for AT LEAST \$150 Billion in Aid to Protect and Preserve State & Municipal Services in a 4th Stimulus Package
 - This would Provide Massachusetts with Nearly \$3 Billion for the State and Localities
 - Key Priority is Passage of the HR 6467 Coronavirus Community Relief Act (5 MA co-sponsors) – which would provide direct aid to all cities
- Without Federal Aid, the Budget Crisis will be Unnecessarily Painful

Significant State Aid Categories anticipated to be impacted by COVID

State Aid comprises approximately 16.6% of our General Fund Budget approximately \$15.8 million

- Chapter 70 Education Aid approximately \$8.5 million
- Unrestricted General Government Aid approximately \$4.7 million
- Chapter 90 Roads - not part of the general fund budget, but a significant state revenue approximately \$1,000,000



Status of FY2021-FY2025 Capital Improvement Program

FY2021 Capital Improvement Program

Limited Capital Improvement Program for FY2021

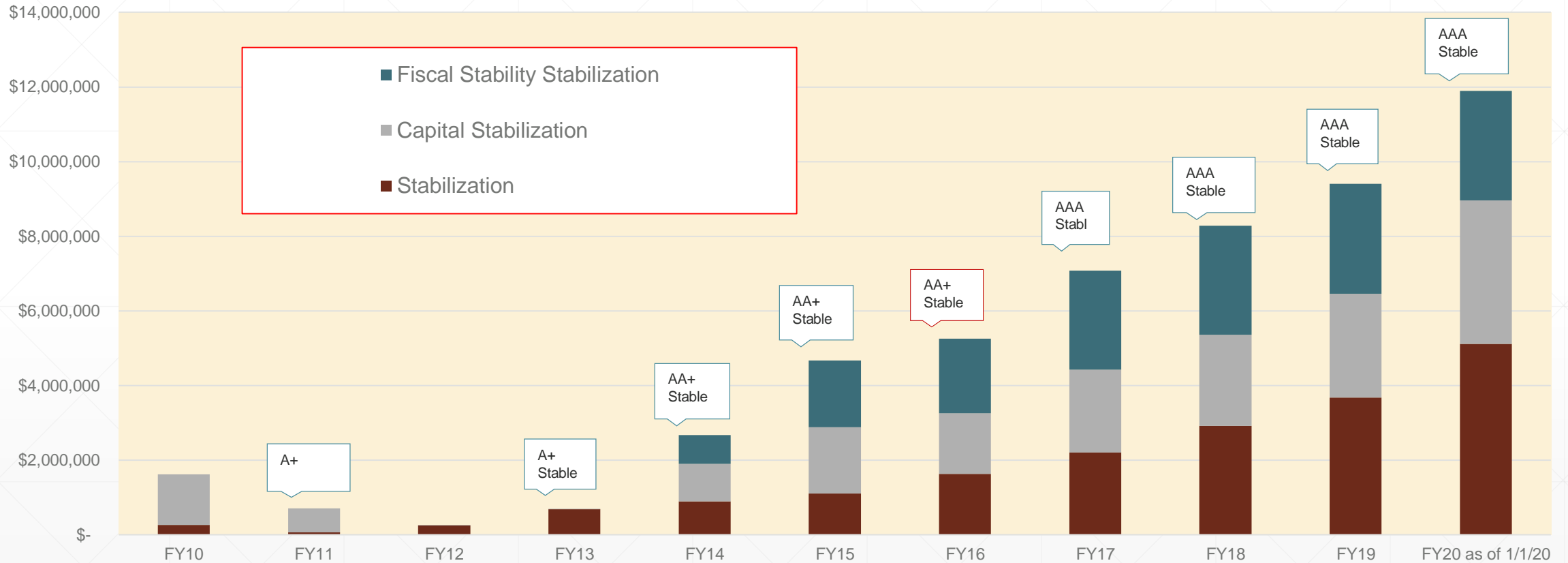
- Original Capital Improvement Program (CIP) for FY2021-2025 was initially delayed awaiting the outcome of the March 3, 2020 Proposition 2 ½ override which was then immediately followed by the COVID-19 emergency declaration
 - CIP now delayed until budget projections relative to state aid and local receipts are known to preserve financial capacity
 - Debt schedule will be revised lower debt service to create operating budget capacity in FY2021 – projects and associated borrowing delayed for one year
 - Only critical time sensitive projects will be recommended for funding in FY2021 – all other projects will be pushed out one year
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Fiscal Year FY2021 Budget

Impacts on Revenues, Expenditures and the Proposition 2 ½ Override

Reserves: Stabilization and Fiscal Stability Fund

Current Balances: Fiscal Stability Stabilization Fund \$2.9 million
Capital Stabilization Fund \$3.8 million, Stabilization Fund \$5.1 million



FY2021 First Quarter Revenues – General Fund Potential Impacts*

Estimated Revenue Impacts of COVID-19 on General Fund First Quarter FY21	
Hotel/Motel 1st Quarter (May, June, July) 90% reduction	\$ (170,000.00)
Meals 1st Quarter (May, June, July) 85% reduction	\$ (160,000.00)
Adult Use Marijuana 1st Quarter (May, June, July) 67% reduction	\$ (260,965.00)
Parking 1st Quarter (July, Aug, Sept) 75% reduction	\$ (375,000.00)
Parking Tickets 1st Quarter (July, Aug, Sept) 75% reduction	\$ (150,000.00)
Recreation Revenues 25% of annual revenues	\$ (11,500.00)
Ambulance Revenues (estimate \$100,000/mth reduction)	\$ (300,000.00)
Permits Building, Wiring, Plumbing, W&M (July, Aug, Sept) 15% reduction	\$ (20,000.00)
Medicaid Schools	\$ (50,000.00)
Interest on Investments	\$ (50,000.00)
Total Estimated Lost Revenue 1st Quarter:	\$ (1,547,465.00)

****Reductions in State Aid unknown at this point but anticipated to be significant***

FY2021 Expenditures – General Fund

Potential Impacts

- Ongoing COVID-19 expenses related to the city's response to pandemic oversight, regulatory and administrative responsibilities, and relief and recovery activities, and required public health protective measures
 - Reduction or elimination of services or programs in departments resulting in:
 - some vacant positions not being filled
 - staff reductions since 73% of the General Fund budget is salaries
 - Reductions in employee benefits concurrent with staff reductions such as health insurance and Medicare
 - Northampton Public Schools revised downward its FY2021 budget in recognition of COVID-19 induced budgetary constraints
 - Elimination of annual contribution to Stabilization Fund, Cash Capital projects and reduction in Debt Service due to deferred bonding
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Delayed Implementation of Proposition 2 1/2 Override to FY2022

- On March 3, 2020, Northampton voters adopted a Proposition 2 1/2 Override authorizing the city to raise an additional \$2.5 million dollars in revenue to support city and school services for the fiscal year beginning July 1, 2020.
 - Just one week later on March 10, 2020, Governor Baker declared a state of emergency in response to the COVID-19 pandemic, a public health crisis that has created massive economic disruption, record unemployment, and an almost certain recession.
 - Given the uncertain duration of the COVID-19 crisis and severe economic stress facing Northampton residents - including many furloughed or laid off from jobs and local businesses forced to close - we cannot in good conscience implement a voter-authorized property tax increase in just over two months.
 - My proposed FY2021 budget will forgo the use of the \$2.5 million in additional revenue and delay implementation of the Proposition 2 1/2 Override until FY2022 beginning July 1, 2021.
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